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RUEHBJ/AMEMBASSY BEIJING PRIORITY 7473

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RUEHFK/AMCONSUL FUKUOKA PRIORITY 2155

RUEHNAG/AMCONSUL NAGOYA PRIORITY 0028

RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 5943

RUEHNH/AMCONSUL NAHA PRIORITY 4502

RUEHKSO/AMCONSUL SAPPORO PRIORITY 2714

RUEHBS/USEU BRUSSELS PRIORITY

RUEATRS/TREASURY DEPT WASHDC PRIORITY

RUEHGV/USMISSION GENEVA PRIORITY 3473

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TAGS: [ENRG](#) [EFIN](#) [SENV](#) [KGHG](#) [PGOV](#) [JA](#)

SUBJECT: GOJ TARGETS CLEAN ENERGY, RESOURCE SECURITY IN FY2009 ENERGY BUDGET

REF: A. 08TOKYO1690

[B.](#) 08TOKYO1585

[C.](#) 08TOKYO1505

[D.](#) 08TOKYO1948

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[11.](#) (U) SUMMARY: The GOJ's FY09 energy budget proposal focuses on securing stable access to conventional energy resources while simultaneously pursuing energy efficiency and low-carbon alternatives. It should enable the GOJ to launch several policies developed in the run-up to the 2008 Toyako G8 Summit. The GOJ proposes 768.3 billion yen (\$8.17 billion) in 2009 energy-related outlays for the Ministry of Economy, Trade and Industry (METI) to: (1) explore and secure natural resources, both overseas and through development of domestic under-sea gas and mineral resources; (2) develop carbon reducing technologies; and (3) improve energy efficiency. There are substantial increases in funding for research and development of methane hydrates, rare metals exploration, and research into carbon storage and sequestration. The budget also introduces support for residential solar power and enhanced incentives to develop and commercialize clean vehicle technologies. END SUMMARY.

5.2 Percent Increase in 2009 Energy-Related Spending

[12.](#) (U) The GOJ's 2009 energy-related budget proposal totals 768.3 billion yen (\$8.17 billion), an increase of 5.2 percent over 2008 (Note: figures assume \$1=94 yen, and the budget typically passes in March for the fiscal year beginning in April). The GOJ proposes 265.5 billion yen in FY09 to guarantee a stable supply of natural resources, an increase of 0.9 percent. The Japan Oil, Gas and Metals Exploration Corporation (JOGMEC), which funds resource surveys and guarantees resource-related debt financing, is slated to receive a 27% budget increase. The boost in funding will enable JOGMEC to double its spending to secure supplies of rare metals used in electronics manufacturing. JOGMEC's Director General for Minerals Finance Tsugujo Takahashi told emboffs he hopes for speedy passage of the budget so his organization can continue work on several projects, including remote sensing of mineral resources in southern Africa,

programs to recycle rare metals from used electronic equipment, and programs to take advantage of technological innovations to extract remaining deposits of rare minerals from shuttered mines.

¶3. (U) The FY09 proposal also increases funding for research and development of methane hydrates off the coast of Japan by eighty percent to 4.5 billion yen. Outlays for surveys of ocean-bed hydrothermal deposits would also grow to support Japan's ten-year strategy to identify petroleum, natural gas and mineral resources within Japan's Exclusive Economic Zone.

The policy includes surveys of rare earth and manganese in the cobalt-rich crust, hydrothermal deposits, and movement to the second phase of the GOJ's methane hydrate research program.

Global Warming Countermeasures

¶4. (U) To realize former PM Fukuda's goals for a "Low Carbon Society", a highlight of the 2008 G8 Summit (refs A-C), proposed FY09 outlays to counter global warming rise fifty-six percent to 28.5 billion yen. The GOJ proposes increased spending to realize its commitments under the Kyoto Protocol (21.8 billion yen). Funding for research and development of carbon sequestration and storage (CCS) technologies more than doubles to 4.8 billion yen, including 3.3 billion yen (\$33 million) in new funding for testing and verification of subterranean carbon storage. METI's proposed FY09 outlays for implementing innovative energy technologies as part of the GOJ's "Cool Earth 2050" program total 88.6 billion yen, an increase of 41 percent.

¶5. (U) METI's funding for Clean Coal Technologies (CCT) rises

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21 percent and includes 12 billion yen in new funds to promote technology transfer and expert exchanges in the Asia-Pacific Region, with China and India as priority countries.

Energy Conservation

¶6. (U) The GOJ proposes to spend 101.9 billion yen for energy conservation. Targeted conservation measures include: 54.5 billion yen for energy-efficient buildings; 40.8 billion yen for research and development of energy efficient technologies; and six billion yen for "green IT projects" to improve IT related energy efficiency.

¶7. (U) Separate from the budget proposal the Ministry of Finance announced, at METI's request, tax measures to promote energy-saving and new-energy facilities. The Finance Ministry proposes allowing immediate depreciation over two years on investments in energy-saving technologies or facilities, such as solar power, natural gas vehicles and highly-insulated windows, as well as for the purchase of energy-saving home electric appliances.

New Technologies and Alternative Energy: Solar Wins Big

¶8. (U) The FY09 budget proposes 137.9 billion yen to promote new energy technologies. Solar power receives a substantial increase and the budget includes 20.1 billion yen to support residential solar power installation (ref D). The Director of METI's Energy Conservation and Renewable Energy Department told emboffs METI's installation target is 85,000 residences by 2011. The current average purchase price for residential solar units is 700,000 yen, and METI expects the subsidy to cover around ten percent of the costs for a typical unit. Three hundred local governments also have subsidy schemes which provide up to 100,000 yen to defray the costs of installation. METI does not expect the current economic downturn to affect its target for residential installation.

Next-Generation Vehicles

¶19. (U) The FY09 proposal also includes 29.7 billion yen to introduce and develop next-generation vehicles and fuel cells. The GOJ's goal by 2020 is for half of new auto sales to be next-generation vehicles. METI proposes 5.3 billion yen in 2009 to subsidize the introduction of clean-energy automobiles, including plug-in hybrids, Clean Natural Gas vehicles, and accompanying infrastructure such as charging stations. Officials in METI's New and Renewable Energy Division told emboffs the agency estimates 2,000 electric vehicles will be sold in 2009, primarily to corporate fleets. The budget also proposes 6.1 billion yen in new funding to support installation of residential fuel cells.

¶10. (U) The FY09 budget proposal also includes 800 million yen in new funding for non-feedstock bio-ethanol production and three billion yen for fundamental research on innovative battery technologies, both of which will support Japan's automobile manufacturers as they compete to produce greener vehicles.

Nuclear Energy

¶11. (U) METI's portion of nuclear spending falls slightly to 21.6 billion yen, a decrease of 0.6 percent. Funding for research and development of next generation light-water reactors, fast reactors and small reactors; for research and development of the light-water reactor fuel cycle; and for regional assistance for siting nuclear facilities see modest increases, consistent with METI's request. These were offset by decreases for overseas uranium mining and disaster planning.

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¶12. (SBU) Comment: METI Vice Minister Mochizuki, a former head of the Agency for Natural Resources and Energy, singled out energy security as a top priority in a recent press conference on the budget and emphasized the need to balance resource security, energy efficiency and environment issues in Japan's energy strategy. The 2009 energy budget's combination of funding to secure traditional fossil fuels and support for alternative energy technologies clearly reflects this strategy. Increases to fund the energy security/low-carbon policies envisioned by then-PM Fukuda in early 2008 suggests the GOJ continues to place a priority on its energy policy despite falling commodity prices and the current political paralysis. Energy issues have not been a focus of political debate between the ruling party and the opposition, and the energy budget will likely pass as proposed. End Comment.

ZUMWALT